

Message Text

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SUBJ: PORTUGUESE IMPORT SURTAX: ANALYSIS

REF: (A) STATE 130850; (B) LISBON 3204

SUMMARY: WHILE U.S. EXPORTS WILL BE AFFECTED, THE IMPACT OF THE
RECENTLY-IMPOSED 20 PERCENT AND 30 PERCENT IMPORT SURTAX ON
THEM MAY NOT BE SEVERE. THE EXPORTS OF WEST GERMANY AND THE
U.K. WILL BE MUCH HARDER HIT. THE SURTAX IS NOT APPLICABLE
TO IMPORTANT U.S. EXPORTS SUCH AS AGRICULTURAL GOODS AND
AIRCRAFT BUT FALLS HEAVILY ON MANY MANUFACTURED GOODS FROM
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WESTERN EUROPEAN TRADING PARTNERS. END SUMMARY.

1. AN ANALYSIS OF PORTUGAL'S 1974 TRADE STATISTICS INDICATES THAT THE SURTAX WILL NOT BE LEVIED ON AT LEAST 60 PERCENT (BY VALUE) OF U.S. EXPORTS. THE ANALYSIS INCLUDES ALL THOSE U.S. EXPORT PRODUCTS AND PRODUCT CATEGORIES WHOSE SALES WERE MORE THAN \$1 MILLION, A GROUP OF PRODUCTS WHICH COMPRISE 71 PERCENT OF TOTAL U.S. EXPORTS TO PORTUGAL. SALES OF THIS MAJOR EXPORT GROUP TOTALED \$285 MILLION; OF THIS, ONLY PRODUCTS WORTH \$33 MILLION (12 PERCENT) WILL BE SUBJECT TO THE 20 PERCENT SURTAX. NO PRODUCT OF THIS GROUP IS SUBJECT TO THE 30 PERCENT TAX. MAJOR EXPORTS UNAFFECTED INCLUDE CORN (\$90 MILLION IN SALES IN 1974), AIRCRAFT (\$43), WHEAT (\$40), OIL MEAL (\$24), SOYBEANS (\$13), COTTON (\$12), COAL (\$8), AND ELECTRONIC TUBES AND VALVES, AND COMPUTERS. THE MOST IMPORTANT PRODUCTS SUBJECT TO THE TAX ARE IRON AND STEEL SHEETS, BARS, RODS, ETC. (\$15) AND SOME PLASTICS PRODUCTS (\$6).

2. PORTUGAL'S LARGEST SUPPLIER IN 1974 WAS WEST GERMANY WITH EXPORTS OF \$625 MILLION. THE GROUP OF MAJOR EXPORTS (OVER \$1 MILLION) TOTALING \$360 MILLION WAS ANALYZED. PRODUCTS WORTH \$300 MILLION--80 PERCENT BY VALUE OF THE MAJOR EXPORTS-- WILL BE SUBJECT TO THE 20 PERCENT SURTAX. ANOTHER \$10 MILLION WORTH OF PRODUCTS (WATER HEATERS, TV AND RADIO RECEIVERS) WILL BE ASSESSED 30 PERCENT. ONLY 15 PERCENT BY VALUE OF MAJOR EXPORTS IS UNAFFECTED. MAJOR GOODS CHARGED 20 PERCENT ARE DYESTUFFS (\$14), PLASTIC MOLDS (\$17), IRON AND STEEL BARS, RODS AND OTHER SHAPES (\$59), IRON PLATES (\$24), SYNTHETIC TEXTILE FIBERS (\$20), THREAD TREATMENT MACHINERY (\$11) AND AUTOMOBILES ASSEMBLED IN PORTUGAL (\$22). MEDICINES (\$6), MEAT PRODUCTS (\$7), AUTOMOBILE PARTS (\$9) AND COMPUTERS (\$5), AMONG OTHERS, ENTER FREE OF SURTAX.

3. THE U.K., PORTUGAL'S SECOND LARGEST SUPPLIER WITH \$420 MILLION IN 1974, IS ALSO HARD HIT. 64 PERCENT OF ITS "MAJOR EXPORTS," WHICH COMPRISE ABOUT HALF THE UK TOTAL, WILL BE TAXED AT 20 PERCENT. THOSE PRODUCTS INCLUDE SYNTHETIC TEXTILE FIBERS (\$10), SYNTHETIC TEXTILE THREAD (\$20), AUTOMOBILES ASSEMBLED IN PORTUGAL (\$19), TRUCKS (\$6), IRON AND STEEL BARS, RODS AND OTHER SHAPES (\$9), AND COPPER BARS AND SHAPES (\$6). ONLY PRODUCTS WORTH ABOUT \$5 MILLION WILL BE HIT BY THE 30 LIMITED OFFICIAL USE

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PERCENT RATE. AMONG UNASSESSED MAJOR EXPORTS ARE POTATOES (\$6), PETROLEUM GAS (\$7), MEDICINES (\$6), UNASSEMBLED TRACTORS (\$7), AND AUTOMOBILE PARTS (\$10).

4. THE EXPORTS OF TWO OTHER WESTERN EUROPEAN COUNTRIES, HOLLAND (TOTAL EXPORTS OF \$158) AND SWITZERLAND (\$159), WERE ALSO ANALYZED. APPROXIMATELY 55-60 PERCENT OF THE "MAJOR EXPORTS" OF BOTH COUNTRIES, WILL BE ASSESSED THE 20 PERCENT

TAX. THE PRODUCTS TAXED ARE VERY SIMILAR TO THOSE OF GERMANY AND U.K. UNTAXED DUTCH PRODUCTS WILL INCLUDE DIESEL FUEL (\$9), PETROLEUM GAS (\$5) AND GASOLINE (\$3). MEDICINE (\$18) AND EXTRUSION MACHINERY (\$4) FROM SWITZERLAND ARE FREE OF SURTAX.

5. THE BELOW CHART BRIEFLY OUTLINES THE RELATIVE IMPACT OF THE SURTAXES. (IN MILLIONS OF DOLLARS AND PERCENT)

GERMANY

TOTAL EXPORTS \$625

"MAJOR EXPORTS"	\$362	100 PERCENT
NO SURTAX	59	16 PERCENT
20 PERCENT	293	80 PERCENT
30 PERCENT	10	4 PERCENT

UNITED KINGDON

TOTAL EXPORTS \$420

"MAJOR EXPORTS"	\$212	100 PERCENT
NO SURTAX	70	33 PERCENT
20 PERCENT	136	64 PERCENT
30 PERCENT	5	3 PERCENT

UNITED STATES

TOTAL EXPORTS \$403

"MAJOR EXPORTS"	\$284	100 PERCENT
NO SURTAX	251	88 PERCENT
20 PERCENT	33	12 PERCENT
30 PERCENT	-	-

SWITZERLAND

TOTAL EXPORTS \$159

"MAJOR EXPORTS"	\$88	100 PERCENT
NO SURTAX	30	34 PERCENT
20 PERCENT	50	57 PERCENT
30 PERCENT	8	9 PERCENT

HOLLAND

TOTAL EXPORTS \$158

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"MAJOR EXPORTS"	\$77	100 PERCENT
NO SURTAX	31	41 PERCENT
20 PERCENT	44	57 PERCENT
30 PERCENT	1	2 PERCENT

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